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PRICES OF WHEAT TO PRODUCERS IN KANSAS, ETC.

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LETTER

FROM

THE SECRETARY OF AGRICULTURE,

TRANSMITTING

REPORT CONCERNING THE PRICES PAID FOR WHEAT TO THE PRODUCERS IN THE STATE OF KANSAS, AND THE PRICES AT WHICH SAID WHEAT IS SOLD FOR EXPORT AT KANSAS CITY, MO., AND HOW SUCH PRICES ARE DETERMINED.

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DECEMBER 9, 1914.—Referred to the Committee on Agriculture and ordered to be printed, with illustrations.

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DEPARTMENT OF AGRICULTURE,  
Washington, October 24, 1914.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: Complying with House resolution No. 571, directing the Secretary of Agriculture to communicate to the House of Representatives a report concerning the prices paid for wheat to the producer in the State of Kansas, and the prices at which said wheat is sold for export at Kansas City, Mo., and how such prices are fixed and determined, I have the honor to transmit herewith the report on this subject.

The report contains a review of such facts as the investigators of the Office of Markets and Rural Organization have been able to gather since the passage of the resolution and is not as complete as it might have been possible to make it by more extended investigation.

Respectfully,

D. F. HOUSTON, *Secretary.*

## REPORT ON THE MARKETING OF KANSAS WHEAT IN 1914.

[By W. H. KERR and L. D. H. WELD, Office of Markets and Rural Organization; CHARLES J. BRAND, Chief, United States Department of Agriculture.]

## INTRODUCTION.

One of the most noticeable and important features of the wheat-marketing situation in Kansas is the great variety of markets open to wheat producers. Although the variety of outlets is a great benefit to the wheat farmer, it also results in a vastly complex and intricate system of marketing. Roughly stated, the principal outlets for Kansas wheat are as follows:

1. Local flour mills.
2. Flour mills and terminal elevators in Kansas City, Mo.
3. The foreign market, principally via Gulf ports.
4. Other domestic markets, such as Chicago, Minneapolis, and eastern cities.

In addition to these markets, Kansas wheat is also shipped in large quantities to flour mills in the Southern States, including Texas, and to Western States. Some of the principal features of the various markets are discussed below.

## KANSAS MILLS.

In a year of normal production the flour mills of Kansas furnish the most important single outlet for Kansas wheat. The wheat production of this State for each year since 1908 was as follows:<sup>1</sup>

	Bushels.
1908.....	78,182,000
1909.....	76,907,000
1910.....	62,480,000
1911.....	51,030,000
1912.....	91,450,000
1913.....	86,515,000
1914 <sup>2</sup> .....	164,000,000

The following table shows the number of flour mills in Kansas and their output in 1913:<sup>3</sup>

Daily capacity per mill (barrels).	Number of mills.	Total daily capacity.	Flour made in 1913 (barrels).	Wheat ground in 1913 (bushels).
1,000 or over.....	16	19,100	3,171,225	14,263,965
500 to 1,000.....	28	16,570	2,854,661	12,956,597
200 to 500.....	60	17,090	2,743,121	12,481,416
100 to 200.....	51	6,165	516,397	2,318,188
Less than 100.....	36	2,215	155,517	716,338
Total.....	191	61,140	9,440,921	42,736,504

From the foregoing tables it will be seen that the flour mills of Kansas in 1913 consumed nearly half as much wheat as was produced in the State that year, and that if run at full capacity they could

<sup>1</sup> Kansas City Board of Trade, Annual Report.

<sup>2</sup> Department of Agriculture estimate.

<sup>3</sup> Miller's Almanac.

consume a much greater amount. The smaller the Kansas crop the more important are the local mills as an outlet for wheat. When the crop is unusually large, as in 1914, the other outlets for wheat become relatively more important.

#### KANSAS CITY, MO., AS A MARKET FOR KANSAS WHEAT.

Kansas City, Mo., is the most important terminal market for Kansas wheat growers. This market also receives wheat from Oklahoma and Nebraska. The total receipts of wheat in 1912 were 43,719,600 bushels, and in 1913 they were 33,870,000 bushels.<sup>1</sup> The receipts for July, August, and September, 1914, were 33,000,000 bushels, as compared with 18,000,000 bushels for these three months of 1913. In 1912 the shipments were 30,665,000 bushels, or 70.1 per cent of the total receipts, indicating that about 30 per cent was retained for local consumption. In 1913 over 36 per cent was retained for local consumption. There are eight mills in the city, with an aggregate capacity of 11,600 barrels a day.<sup>2</sup>

A large part of the wheat that is collected at Kansas City finds its way direct to flour millers in different parts of the country. Some goes to dealers and shippers in other large markets, and, when prices allow, some will go to the Gulf for export. A great deal is placed in large terminal elevators where it is held for distribution throughout the year. The mixing of wheat, i. e., the blending of different grades in order to raise the grades of the lower quality wheat, is practiced in this market as in others, this being done in the large terminal elevators. About 60 per cent of the Kansas City receipts arrive in July, August, and September.

#### THE EXPORT MARKET.

The foreign outlet for Kansas wheat varies in importance from year to year as the size of the exportable surplus of the United States varies. When the surplus is large, as in 1914, wheat is on an "export basis," i. e., it is the foreign demand that determines the price of wheat in the United States. Under such conditions, the price of wheat at any point in the United States at least approximates the price at Liverpool minus the cost of transportation, handling, insurance, etc., from such a point to Liverpool. When the United States crop is short, the domestic demand brings about a higher domestic price than one based on the Liverpool price, and wheat stays within the country for domestic consumption.

The great bulk of Kansas wheat that is exported moves by way of Gulf ports, and much of it never passes through Kansas City, although handled to a large extent by Kansas City dealers. It is largely a matter of the relation between freight rates and prices that determines whether Kansas wheat shall pass directly to Gulf ports for export, or to Kansas City (or other principal grain markets) for transmission to domestic consumers. During some years the bulk of the crop from all parts of the State moves through Kansas City and other large grain markets, such as Omaha, Chicago, and Minne-

<sup>1</sup> Annual Statistical Report, Board of Trade of Kansas City, Mo., 1913.

<sup>2</sup> Miller's Almanac.

apolis. Other years the bulk of the crop moves southward to the Gulf. During a season of normal or fairly lively export demand the southern half of the State (the more important in wheat raising) ships southward, while the northern half ships eastward and northward. For many points it is often immaterial whether grain is shipped to Kansas City or to the Gulf, and slight price fluctuations from day to day may determine in which direction to ship. This relation between freight rates and Kansas City and Gulf (often called export) prices is shown in the following table:

*Relative freight rates per bushel from 12 Kansas points to Kansas City and to Gulf ports, together with prices paid on July 1, 1914, for wheat "to arrive" at Kansas City and at Gulf ports, and net prices on each basis.*

Town.	Freight rate per bushel to—		Price bid "to arrive" at—		Net price received by country shipper.	
	Kansas City.	Gulf.	Kansas City.	Gulf.	Kansas City.	Gulf.
Phillipsburg.....	Cents. 7.95	Cents. 17.4	Cents. 72	Cents. 81.25	Cents. 64.05	Cents. 63.85
Logan.....	7.95	19.05	72	81.25	64.05	62.20
Grinnell.....	8.7	17.4	72	81.25	63.30	63.85
Liberal.....	8.7	16.8	72	81.25	63.30	64.45
Hutchinson.....	7.8	15.3	72	81.25	64.20	65.95
Ellsworth.....	7.8	15.6	72	81.25	64.20	65.65
Emporia.....	5.4	15.3	72	81.25	66.60	65.95
Corwin.....	8.1	15.3	72	81.25	63.90	65.95
Tangonoxie.....	3.3	14.1	72	81.25	68.07	67.15
Hanover.....	6.0	17.1	72	81.25	66.00	64.15
Beloit.....	7.5	18.6	72	81.25	64.50	62.65
Manning.....	8.7	16.5	72	81.25	63.30	64.75

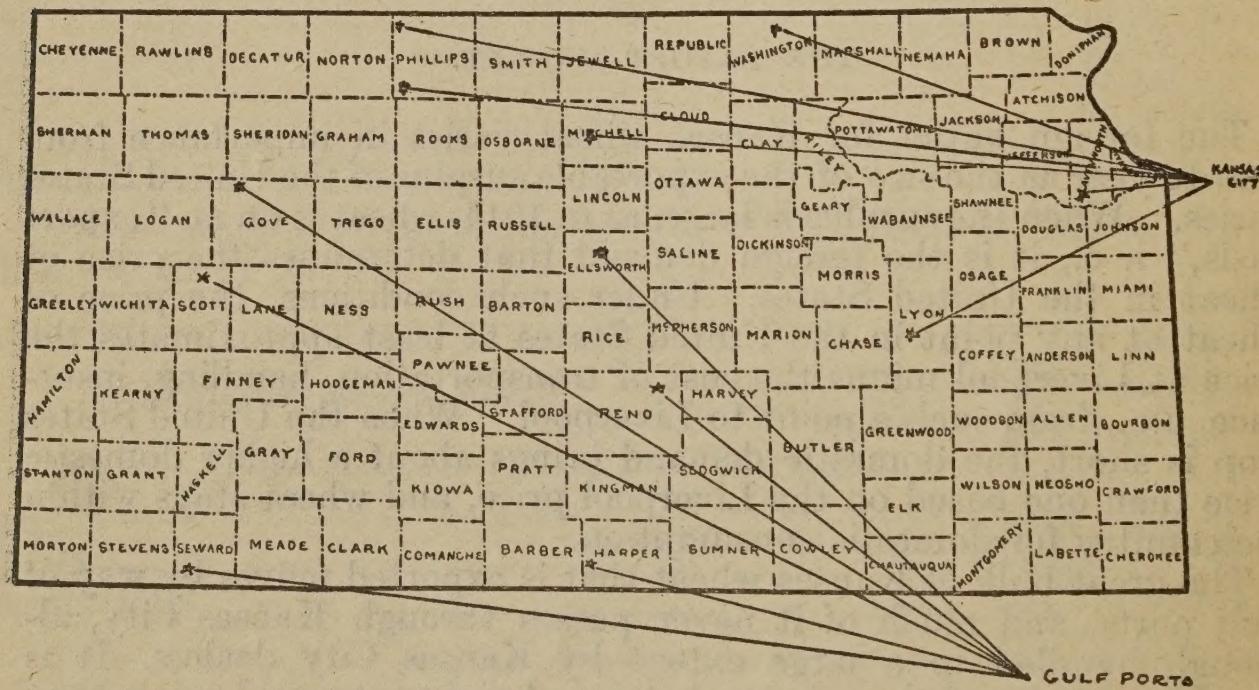


FIG. 1.—Map illustrating movement of wheat from 12 points in Kansas to Kansas City or Gulf ports, as shown in preceding table.

In explanation of this table it should be stated that the 12 towns have been selected as representative of different parts of the State. The first two columns represent freight rates to Kansas City and to Gulf ports; the third and fourth columns represent the prices offered on a single date by grain dealers for wheat delivered at Kansas City

and the Gulf; the last two columns are obtained by subtracting the figures in the first column from those in the fourth, thereby showing the net price received by country elevators by shipment in the two directions. It will be seen that in six instances the country shipper receives more by accepting the Kansas City price and shipping to that city. These six points are all in northern Kansas or near Kansas City. For the other six stations, shipment to the Gulf is more remunerative. During the recent embargo on wheat to Gulf ports, considerable wheat was shipped for export via the Great Lakes, through Duluth, Superior, and Chicago.

#### OTHER DOMESTIC MARKETS.

Kansas wheat growers have other large grain markets open to them aside from Kansas City. Much is shipped direct to Omaha and to Chicago. The size of the spring wheat crop of Minnesota and the Dakotas affects the movement of Kansas wheat. When that crop is short, the Minneapolis millers demand large quantities of winter wheat, and some is shipped direct from the country stations, while some is handled by shippers in Kansas City. The Kansas wheat that goes to markets east of Chicago is usually handled by shippers or dealers located at Chicago or Kansas City. Shippers also find markets in practically all parts of the United States, except perhaps in the Pacific Northwest.

#### MARKETING AT COUNTRY POINTS.

In practically every town or village situated upon a railroad where there are at least a few cars of grain raised there will be one or more local buyers of grain. These buyers receive the grain from the farmer as he hauls it in, paying the local market price on the day delivered. This price is based upon the bids and market quotations received by the buyer.

Country buyers work on a margin of from  $2\frac{1}{2}$  to 4 cents per bushel. Hence, the country price on a given day would be the price for which the buyer can sell his grain "on track" at the elevator, less his margin. For example, on September 28, an elevator which allows a margin of 3 cents per bushel on all wheat purchased received several track bids averaging  $90\frac{1}{4}$  cents per bushel, basis No. 2 hard, which is the contract grade in Kansas. The quotation to farmers on this day was the "on track" price quoted the elevator less its margin of 3 cents, or in this case making the price to the farmer  $86\frac{3}{4}$  cents per bushel. When the local buyer does his shipping on a commission basis he will take the spot price at Kansas City, subtract the freight and other charges incident to selling in Kansas City, and deduct his margin. If the market quotation at Kansas City on spots is 97 cents, the freight to Kansas City 5 cents, commission and other charges  $1\frac{1}{4}$  cents, and the elevator margin 3 cents, the local market price would be 97 cents minus  $9\frac{1}{4}$  cents, or  $87\frac{3}{4}$  cents.

Where there are several local buyers in a community there occasionally may be some competition between them for business. But, as a general rule, the prices paid the farmer will not vary between the different buyers. However, in towns where there is more than

one buyer the price paid by the buyers occasionally may vary a portion of a cent, owing to the attitude of one buyer. If he thinks the market is going up he may be inclined to raise the price slightly to secure additional business, with the chance of making the added price in the rise of the market.

In several towns visited where there were from one to four buyers it was found that the price quoted the farmers by all the buyers was the same.

It is customary in some cases for buyers in near-by towns to communicate with one another as to the prices they are paying on a given day for grain. In defense of this it is claimed that a buyer will pay as high a price as possible to the farmer consistent with the market. But if his neighbor buyers are cutting this margin and paying more, he will have to do the same to retain his business. This condition is especially true where several towns are within a radius of a few miles, so the farmer can haul to any one of two or more towns.

#### PRICE CARDS.

Price cards (figs. 1 and 2, pp. 7-9) are sent out daily by grain shippers who are in the market for grain. Each local buyer will receive in the morning's mail from 12 to 25 of these cards. These are generally sent out from the nearest office of the shipping companies. There being representatives of the large Kansas City and Chicago grain dealers at Wichita, Topeka, and Hutchinson, some consignment houses send out cards giving the prices on the Kansas City Board of Trade for the day previous. In addition to these bids and quotations, each country buyer will get the opening, 11.30, and closing prices of the Kansas City and Chicago Boards of Trade by wire or telephone. Thus, with the card bids and wire quotations, the country buyer is in close touch with the market.

The larger grain shipping firms keep representatives on the road who visit the various country buyers, buying the grain outright "on track" or soliciting consignments.

*Prices of wheat to producers in Kansas, on or about dates indicated, according to reports of county correspondents of the Bureau of Crop Estimates.*

[Cents per bushel.]

	Averages for the State.		By divisions of the State.						
			1914			1913			
	1914	1913	Western.		Central.	Eastern.	Western.		Central.
									Eastern.
Sept. 1.....	90	75	87	90	92	73	75	79	
Aug. 1.....	68	75	65	69	72	74	75	76	
July 1.....	70	76	73	69	69	75	76	78	

[Examples of price cards sent out to country elevators by grain-shipping firms at Kansas City, Wichita, and Hutchinson.]

FIGURE 1.

Acceptance to reach us here by 9.15 a. m., next business day, we bid you the following prices for grain (apparent errors excepted):						
Grain.	Track, your station.	Delivered Kansas City.	Delivered Galves- ton.	Time ship- ment.	Terms.	Lower grades to be applied at market difference day of inspection or as follows:
<b>FORM A.</b>						
No. 2 hard wheat...	93	.....	.....	Oct. 3, 1914.	.....	.....
Do.....	.....	.....	.....	.....	.....	.....
No. 2 red wheat.....	.....	.....	.....	.....	.....	.....
No. 3 or better corn.....	.....	.....	.....	.....	.....	.....
No. 3 red oats.....	.....	.....	.....	.....	.....	.....
No. 3 or better kafir corn.	.....	.....	.....	.....	.....	.....

State price and number of bushels sold when telegraphing acceptance. Sales of one car to be contents of car; sales of more than one car to be on basis of 1,000 bushels per car. We reserve the right, at our option, to cancel, extend the time, or buy in for seller's account grain not shipped within time specified, and to reject amounts in excess of 5,000 bushels each kind of grain. Shipper pays weighing and inspection. Delivery of grain bought on this bid not perfected until sold grain reaches destination specified in our confirmation and has been inspected and weighed.

Yours, truly, .....  
Consignments solicited.  
You may accept this bid after 9.15 next business day, and if we can not accept will wire you immediately.

## FIGURE 2.

SEPTEMBER 22, 1914.

We bid you for acceptance to reach us *here* by 9.30 a. m. next business day for account ..... Should our card reach you after 9.30 a. m., wire your acceptance, and if no material change in market, will accept, otherwise wire your counter bid.

Kind of grain.	Delivered Galveston, Galveston terms.	Delivered New Or- leans or Westwego, New Or- leans terms.	Delivered Kansas City, Kan- sas City terms.	Days' ship- ment.
No. 2 hard wheat.....				
No. 2 hard wheat.....	109 $\frac{1}{2}$	109 $\frac{1}{2}$		30
No. 3 or better corn.....				
No. 3 or better corn.....				
No. 3 or better corn.....				

Lower grades will be applied at following discounts, except that we reserve the right to refuse grain grading no grade, which is unfit for export.

No. 3, 58 or better, 1 cent off; 57, 2 cents off; 56, 3 cents off.

No. 4, 55 or better, 4 cents off; 54, 5 cents off; 53, 6 cents off; 52, 7 cents off.

Rejected wheat, 58-pound or better, 6 cents off; 1 cent additional off for each pound below 58-pound.

No grade wheat 58-pound or better, 7 cents off; 1 cent additional off for each pound below 58-pound if merchantable.

*Galveston corn discounts.*—No. 4 corn, 3 cents per bushel discount; No. 5 corn, 5 cents per bushel discount; no grade corn, 7 cents per bushel discount.

*New Orleans corn discounts.*—No. 4 and no grade corn will be dried for seller's account at his expense and shrinkage, docked according to quality after drying.

Rejected or unmerchantable corn will not be accepted on this contract.

*State price when telegraphing acceptance.*

We reserve the right to reject by wire amounts in excess of 5,000 bushels. Acceptance by carload to be confirmed as 1,000 bushels wheat and corn, except single cars. Shipper pays weighing, inspection, trackage, and exchange, if any. Delivery of grain bought on this bid not perfected until grain reaches destination specified in our confirmation and has been inspected and weighed. We reserve right to unload cars of off grade grain without first notifying you. On contracts not filled at maturity we reserve the right to cancel, extend time, or buy in for seller's account. Fractional pounds test will be taken at even pounds under. It is understood and agreed that in accepting this bid, seller is to leave sufficient margin on drafts to guarantee weights and grades—not less, however, than 2 cents per bushel. All grain bought subject to customs and rules of board of trade at point \_\_\_\_\_.

[Copy of card sent to country elevators in Kansas by a commission firm operating in Kansas City, Mo.]

*Kansas City Cash Grain Market, September 14, 1914.*

*Wheat.*—Scarce money and heavy receipts at all primary markets accountable for a heavy decline in wheat to-day, with both the cash and future wheat opening 3 to 4 cents down, closing 7 to 8 cents down, and considerable wheat that arrived late unsold at the close.

Receipts to-day, 908 cars; a year ago, 134 cars.

No. 2 hard: 1@1.01 $\frac{1}{4}$ , 1@1.01 $\frac{1}{2}$ , 1@1.00 $\frac{1}{2}$ , 11@1.00, 1@99, 2@98 $\frac{1}{2}$ , 53@98, 6@97 $\frac{1}{2}$ , 17@97, 1@96 $\frac{1}{2}$ .

No. 3 hard: 3@1.00, 1@99 $\frac{1}{2}$ , 8@98, 10@97 $\frac{1}{2}$ , 48@97, 81@96 $\frac{1}{2}$ , 11@96, 32@95 $\frac{1}{2}$ , 19@95, 1@94, 7@93 $\frac{1}{2}$ , 7@93.

No. 4 hard: 3@95, 15@94, 7@93 $\frac{1}{2}$ , 20@93, 1@93 smutty, 5@92 $\frac{1}{2}$ , 13@92, 1@91 $\frac{1}{2}$ , 5@91 very smutty.

Sample hard: 1@97 cleaned wts., 1@91, 1@91 heating, 5@90 heating and hot, 1@89 heating, 1@86 very smutty, 1@86 hot.

No. 2 mixed: 1@97, 1@96 $\frac{1}{2}$  58 lbs.

No. 2 red: 8@1.01, 4@1.00 $\frac{1}{2}$ , 1@1.00, 2@1.00 L. S., 1@1.00 58 lbs., 13@99, 3@99 58 lbs., 3@98.

No. 3 red: 2@1.00 7@98, 5@97, 1@96, 1@96 some oats, 1@96 55 $\frac{1}{2}$  lbs.

No. 4 red: 2@95 oats mixed, 1@91 oats mixed.

No. 2 durum: 95 to 96.

No. 2 white spring: 96 to 97.

*Corn.*—No well-defined markets. The few sales show about 1 cent decline. Nearly all of the offerings here are unsold and without bids to-night.

Receipts to-day, 32 cars; a year ago, 68 cars.

No. 2 white: 77 to 77 $\frac{1}{2}$ .

No. 3 white: 1@76 $\frac{1}{2}$ .

No. 2 yellow: 1@75 $\frac{1}{2}$ .

No. 3 yellow: 74 $\frac{1}{2}$  to 75.

No. 5 yellow: 1@71.

No. 2 mixed: 1@75 $\frac{1}{2}$  L. S.

No. 3 mixed: 74 to 74 $\frac{1}{2}$ .

*Oats.*—The few samples of white oats that were sold show 3 to 4 cents decline. No bids at all on mixed and red oats. A number of cars offered on the market. Receipts to-day, 61 cars; a year ago, 27 cars.

No. 2 white: 45 to 45 $\frac{1}{2}$ .

No. 3 white: 2@44 $\frac{1}{2}$ , 1@43 $\frac{1}{2}$ .

No. 2 mixed: Nom. 41 to 42.

No. 3 mixed: 40 to 40 $\frac{1}{2}$ .

Standard: 1@45.

No. 2 red: 41 to 41 $\frac{1}{2}$ .

No. 3 red: 40 to 40 $\frac{1}{2}$ .

No. 2 rye: 88 to 89.

No. 3 rye: 87 to 88.

Feed barley: 61 to 64.

Bran: 2@96.

**FUTURE CLOSING MARKETS.**

September wheat, 95, off 7 cents.

December wheat, 97 $\frac{1}{2}$ , off 7 $\frac{1}{2}$  cents.

May wheat, 1.04 $\frac{1}{4}$ , off 8 cents.

September corn, 73 $\frac{1}{2}$ , off 1 cent.

December corn, 67 $\frac{1}{2}$ , off 2 $\frac{1}{2}$  cents.

May corn, 71 $\frac{1}{4}$ , off 2 $\frac{1}{2}$  cents.

September oats, 45 $\frac{1}{4}$ , off 1 $\frac{1}{4}$  cents.

May oats, 46 $\frac{1}{2}$ , off 3 $\frac{1}{2}$  cents.

These cards are sent out a few hours after the closing of the market and are received on the morning following by the country elevator.

**COUNTRY BUYERS.**

There are four general classes of country buyers—the local flour mills, farmers' elevators, line elevators, and private elevators. In the western section of the State, where there are no elevators at some of the shipping points, grain is scooped from the wagon direct to the car. In these localities there will be some local man who represents a shipping firm located at one of the larger markets. This man will buy the grain from the farmers and bill the cars to the shipping house's order. This is the only case where grain does not pass through a buyer who has no elevator facilities.

There are 1,080<sup>1</sup> elevators in Kansas; 240 of these are operated by flour mills, 136 are farmers' cooperative organizations, and the rest are line or independent companies. One milling company operating in the State owns 101 elevators located throughout the grain sections.

The local mills play an important part in the buying of grain at country points. Aside from purchasing for grinding purposes, the mills engage in the local shipping business, in competition with other local buyers, handling this business in the same way as the local elevators.

Occasionally the mills will offer a premium for a good quality of milling wheat, but this is only in case it can not be obtained at the local market price. At the time this is written, in some sections of the State the farmers are holding their grain, and to secure wheat for milling purposes it is necessary for the mill to offer a premium. In one case this was as high as 3 cents a bushel for good Turkey wheat. Good milling Turkey always commands a premium in the terminal market. The country elevators will seldom pay a premium for a superior grade of wheat. On account of competition between country elevators there is a tendency on the part of many to overgrade on ordinary receipts. Where this condition exists the price paid the producer will be lower in proportion to the overgrading, as the margin taken out by the country elevator must of necessity be large enough to take care of operating expenses.

The  $2\frac{1}{2}$  to 4 cent margin taken by the country buyer must cover the operating expenses of the elevator, interest on investment, and any net profit that is made. The following table is given for 10 elevators which operate on a 4-cent margin, showing the number of bushels handled, shrinkage, gross receipts, general expenses, and net profit or loss:

*Statement of 10 country elevators operated by a large milling company in Kansas, June 30, 1913, to July 1, 1914.*

Bushels handled.	Bushels shrinkage.	Total gross profit.	Total expense. <sup>1</sup>	Net.
45,000	170	\$1,630	\$830	\$799
1,783	472	—305	5	—310
25,000	122	1,700	870	835
39,800	868	244	798	—554
112,000	1,500	2,280	959	1,324
65,600	450	1,630	850	775
138,000	2,000	2,880	1,540	1,340
23,600	19	1,249	805	444
127,000	1,300	3,000	1,225	1,858
60,000	159	853	1,083	—230

<sup>1</sup> This only includes salaries, fuel, and miscellaneous expenses, but does not include interest on the investment, insurance, or depreciation. These charges must be taken from the net profit shown above to secure actual net profit.

*Summary of account sales of 10 representative consignments of wheat sold on Kansas City Board of Trade, July 27, 1914, showing sale price, costs, and net to shipper per bushel.*

[Market quotation July 27, 1914, 78 to 79 spot ordinary.]

Date.	Shipped from—	Grade.	Sale price.	Freight per bushel.	Commis- sion.	Inciden- tal. <sup>1</sup>	Net to shipper.
			Cents.	Cents.	Cents.	Cents.	Cents.
July 27	Spring Hill.....	2 red....	80 $\frac{1}{2}$	3.00	1	1	76 $\frac{1}{2}$
Do.....	Marietta.....	3 hard....	78	5.70	1	1	71
Do.....	Emmett.....	3 mixed....	78	4.80	1	1	72
Do.....	Manhattan.....	3 hard....	78	4.80	1	1	72
Do.....	Lillis.....	do.....	78 $\frac{1}{2}$	4.80	1	1	72 $\frac{1}{2}$
Do.....	Holton.....	do.....	78	4.20	1	1	72 $\frac{1}{2}$
Do.....	Irving.....	do.....	78	4.80	1	1	72 $\frac{1}{2}$
Do.....	Vermillion.....	do.....	77 $\frac{1}{2}$	4.80	1	1	72
Do.....	Moray.....	3 mixed....	78	3.60	1	1	71 $\frac{1}{2}$
Do.....	Valley Falls.....	3 hard....	77 $\frac{1}{2}$	3.60	1	1	73

<sup>1</sup> Inspection, weighing, interest.

As the volume of business of an elevator increases, the overhead charge per bushel decreases. The large elevator which does a yearly business of 300,000 bushels and over, if well managed, can often conduct its business on a margin of  $1\frac{1}{2}$  cents per bushel. It is certain that the large elevator has a distinct advantage in purchasing over the smaller one on account of the smaller cost per bushel for overhead and operating expenses. This advantage is very seldom exercised by paying a higher price to the farmer. The large elevators operate on practically the same margin as the small ones, regardless of cost of operation. This has its merits in that the larger concern does not offer more for grain than the small ones, thus putting them out of business and leaving the field to the one elevator, in which case it might be possible to control to an extent the price paid to the farmers in the community.

*Hedging.*—Of the 16 country elevators visited by the writers not one takes advantage of the hedging of purchases and consignments. If grain is purchased one day at 88, and before the same is sold the market drops, the country elevator sustains a loss equivalent to the decline of the market. On September 4 the market for "spots ordinary" at Kansas City was 1.12 to  $1.13\frac{1}{2}$ . The market had reached this point after a gradual rise. A great many country elevator managers expected wheat would reach a price better than the September 4 quotation and filled their elevators with grain costing around \$1 a bushel. This grain was not protected by hedging in the future market, and consequently unless the price returns to \$1 a bushel this grain will have to be sold at a loss. If this wheat had been hedged there would have been no loss from falling prices unless the spread between cash and future prices should vary. In fact, this condition appears to be prevalent, and not one of the 16 elevators visited hedges its holdings. The country elevator managers consider that any transaction in futures constitutes gambling, they having no conception of the insurance value of future trading. This condition is entirely different from that found in the spring wheat section (Minnesota and the Dakotas), where even the smallest elevator protects its purchases by hedging.

*This is the weakest point in the present method of marketing Kansas wheat.*

A great many of the country elevators do a storage business. They do not sell the stored grain and buy futures against it, but hold the identical grain in the elevators until the farmer decides to sell. This fills the elevators and leads to congestion. At this time unless the farmer is so situated that he can hold his grain on the farm he must sell when thrashed. This situation has caused the building of a great many granaries on the farm, where the grain can be kept until market conditions are such that the farmer thinks it best to sell.

There are three ways in which the country elevator may dispose of its grain. They are by consignment, selling "to arrive" at Kansas City, the Gulf, or other points, and "on track." In all these cases grain is shipped subject to destination weights and inspection.

*Consignment.*—There are a few country elevators which do only a consignment business; that is, ship the grain to some commission firm at one of the smaller Kansas markets such as Wichita or Hutchinson or to Kansas City. Occasionally some cars are consigned to Chicago, Minneapolis, and Gulf points. These consignments are

sold by a commission house on the open market at the place where shipped. The Kansas City Board of Trade commission is 1 cent per bushel on consignments. In addition to this there are the fees for inspection, weighing, and freight, and where consignments are made to Kansas City, 6 per cent interest on the advance made by the commission house to the country shipper from date of receipt of draft to the time of reimbursement by the sale of the car. This interest charge is provided for in the Kansas City Board of Trade rules and "must not be less than 6 per cent per annum on any sums advanced on such consignments or purchases to time of reimbursement."

The following is taken from an account sales of a car of wheat consigned by a country elevator to a commission house in Kansas City, Mo., showing the various charges:

1,437 bushels 10 pounds, sold at \$0.79.....	\$1,135.36
Missouri inspection.....	\$0.65
Weighing, board of trade.....	.50
Weighing, State.....	.40
Freight, 7 cents per hundredweight.....	60.36
Interest on advance of \$990, 7 days, at 6 per cent.....	1.16
Commission for selling at 1 cent per bushel.....	14.37
	77.44
Net proceeds.....	1,057.92
Net per bushel, 73.6 cents.	

A great many managers make it a point to consign on a rising market, but do not consign when the market is declining. By consigning when the market is rising the supposition is that the market will have reached a point high enough to allow an additional profit over the "on track" price by the time the grain reaches the terminal. At this time some cars are being consigned to Chicago and Kansas City by country elevators in the hope that the market will advance in the next few days.

The big part of the consignment business, however, is done by the country elevators regularly—that is, they consign the grain as fast as it is received from the farmer. The elevators which do this claim that the advances and declines of the market during the time consigned cars are en route will practically balance for a year's business.

*To arrive Kansas City (basis delivered Kansas City).*—"To arrive" bids may be made for 5, 10, 15, or any number of days' shipment. These bids, however, generally specify delivery within the shortest time. The "to arrive" bid means that within the specified time the bidder will accept the shipment at the price quoted, freight and incidental charges paid by the country shipper. The advantage of this method is that the country elevator manager knows what he is getting at the time of shipment. The "to arrive" bids from Kansas City will vary from  $\frac{1}{2}$  to 2 cents under the spot price of the day on which the bids are made. This difference is due to the margin of protection which must be had against fluctuations in the market from the time the bid is sent out until the acceptance is received and a hedge can be placed against the purchase. During July, owing to the great amount of grain being delivered, the spot price changed sometimes as much as 3 cents in one day. The margin between the spot price

and the "to arrive" bids are greater than later in the season when the market is steadier.

Owing to the condition of the market in August and September, 1914, on account of the European war, very few Kansas City firms were sending out "to arrive" bids, the fluctuations of the spot price being too great from day to day to take the risk of having the spot price fall below the "to arrive" bid made the day before.

The following shows the spot prices on the Kansas City Board of Trade and the "to arrive" bids of a Kansas City buyer:

*Relation of the Kansas City spot price with "to arrive" bids for July—Spot prices August and September.*

Day.	July.		August.		September.	
	Spots (or- dinary). <sup>1</sup>	To arrive. <sup>1</sup>	Spots (or- dinary).	To arrive. <sup>2</sup>	Spots (or- dinary).	To arrive. <sup>2</sup>
1.	73 -73½	71½	78½		1.03 -1.04	
2.	74	73			1.04 -1.04½	
3.	74½	73½	74½ - 75		1.06 -1.07½	
4.					1.12 -1.13½	
5.			78½ - 81		1.12 -1.12½	
6.	74½	74½	80 - 85			
7.	75½	74½	82½ - 85			
8.	76	73½	87½ - 88		1.07 -1.09	
9.	76½	72½			1.08	
10.	76	72½	90½ - 92		1.05½	
11.	73½-74	72	89 - 90		1.03 -1.04	
12.			87 - 88		1.02 -1.03	
13.	72	70½	87			
14.	72	71	85 - 85½		96 - 97	
15.	73½	71½	83½ - 84		96 - 96½	
16.	73 -73½	72½			1.00 -1.02	
17.	74 -74½	73½	81½ - 82½		1.00 -1.00½	
18.	74	72½	87 - 88		1.01 -1.00½	
19.			91½ - 92½		1.04 -1.05	
20.	73½-74	73½	91½ - 93			
21.	75	74½	92 - 93		1.04 -1.04½	
22.	75½	75½	95 - 96		1.02 -1.04	
23.	76 -77	76½			1.02 -1.02½	
24.	76½	75½	95 - 96		1.01½-1.02	
25.	78½-79	77½	96½ - 97½		99 -1.00	
26.			1.00 -1.03		98	
27.	78 -79	77½	1.03 -1.07			
28.	78½-81½		1.00 -1.00½		99	
29.	82½-83		99½-1.00		1.00 -1.01	
30.	87 -87½				97½ - 98	
31.	80 -81		1.04			

<sup>1</sup> This is the spot price for ordinary No. 2 hard (yellow berry).

<sup>2</sup> Practically no bids sent out owing to great fluctuations of the market.

The country buyer in considering the different "to-arrive" bids, such as "to arrive" Galveston, Kansas City, Chicago, or any other point, would figure out the costs from the elevator to the point of delivery to find the price which would be netted at the elevator. Owing to the difference in freight rates some points will receive higher bids for shipments to arrive Gulf ports than from bids to arrive Kansas City.

The following is a copy of an account sales of a car of wheat purchased at a country point "to arrive" Kansas City. This shows the charges which are paid by the country shipper on a "to-arrive" sale. All shipments are made subject to destination weights and inspection.

*Account sales (1) car wheat bought to arrive Kansas City.*

1,842½ bushels, \$0.76½									\$1,409.51
Missouri State inspection									\$0.65
Board of trade weighing									.50
Freight, 9½ cents hundredweight									105.02
Interest on advance of \$1,200, six days, at 6 per cent.									1.46
									107.63

Net to shipper									1,301.88
Net per bushel, 70.65 cents.									

The commission rule of the board of trade at Kansas City only includes shipments which are received at Kansas City and does not apply to shipments to other markets from the country, which are made through board of trade members. For this reason, owing to the competition in securing grain in the country for shipments to the Gulf, all firms have done away with the interest charge.

The following are copies of account sales of two cars of wheat purchased in the country by a Kansas City shipper "to arrive" New Orleans, "to arrive" Galveston, and "to arrive" Chicago, showing the charges paid by the country seller:

*Account sales car wheat, bought "to arrive" New Orleans, from a country elevator in Kansas, by a Kansas City shipping firm, June 24, 1914.*

1,457 bushels 20 pounds, \$0.82½									\$1,198.65
Inspection and weighing									\$0.75
Freight, 28 cents hundredweight									244.83
									245.58

Net proceeds									953.07
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*Account sales car wheat, bought "to arrive" Galveston, from a country elevator in Kansas by a Kansas City shipping firm, June 22, 1914.*

Galveston delivered 1,073 bushels 20 pounds, \$0.81½ gross									\$877.45
Freight, 26½ cents hundred									\$170.66
Inspection									.50
Weighing									.50
									171.66

Net proceeds									705.79
Net per bushel, 65½ cents.									

*Summary of account sales of 4 cars wheat bought "to arrive" Chicago from a country elevator in Kansas, showing prices paid, received, freight charges, and gross profit to shipper.*

Date.	Where purchased.	Grade.	Price paid by shipper.	Freight.	Place sold.	Date sold.	Selling price.	Gross profit.
				<i>Cents.</i>				<i>Cts. per bu.</i>
Sept. 3	Clearwater.....	2 hard.	\$1.00	14.7	Chicago.	Sept. 4	1 \$1.18	2 3.3
Sept. 4	Arlington.....	do.	1.06	15.0	do.....	do...	1.22½	1½
Do....	Geneseo.....	do...	1.06	15.0	do.....	do...	1.22½	1½
Do....	Sanford.....	do...	1.02	15.3	do.....	do...	1.19½	2.2

<sup>1</sup> To arrive.

<sup>2</sup> Sept. 4 market advanced over the Sept. 3 market, which made the gross profit on this car considerably higher than the average.

"On track."—The most common way for the country buyer to dispose of his purchases is to sell "on track." The "on track" bids are for cars at the country elevator siding. The grain shippers base their "on track" bids on the "to arrive" prices at Kansas City, Gulf ports, Chicago, or the points where shipments are to be made. For example, a shipper sending a track bid to a Partridge, Kans., elevator will take the "to arrive" prices at the Gulf or other points, subtract the freight and a margin to cover incidental expenses and profit.

The only charges to the country elevator man on a car sold "on track" would be the weighing and inspection at destination; and in case the car is purchased "on track" for shipment to Kansas City an interest charge of 6 per cent on the draft from time of payment to receipt of grain at Kansas City. There is no interest charge when cars are bought "on track" for export or other terminal markets aside from Kansas City.

A great many country elevators make it a point to do all their selling on an "on track" basis. Where sales can be made in this way as fast as the grain is received from the farmer, the elevator assumes very little risk in the fluctuations of the market.

Conservative elevator managers make it a point to anticipate somewhat their arrivals and sell in advance "on track" the expected deliveries from the farmers for the day.

*Account sales car wheat bought "on track" by a Kansas City shipper at Morrowville, Kans., and shipped to Kansas City, Mo., Sept. 28, 1914.*

1,447 bushels 10 pounds, \$0.83½.....				\$1, 208. 38
Inspection.....				\$0. 65
Board of trade weighing.....				.50
Interest on \$1,100 (draft), 10 days, at 6 per cent.....				1. 83
				2. 98
Gross proceeds.....				1, 205. 40
Net per bushel, 83.27 cents.				

*Summary of account sales of five cars purchased in country by shipper and sold delivered Gulf.*

Date purchased in country.	Price paid country elevator.	Freight to Gulf.		Total cost at Gulf.	Selling price Gulf.	Profit
		Cents.	Cents.			
June 24, 1914.....	68½	15	83½	84½	1½	
June 23, 1914.....	69½	15	84½	85½	1	
Do.....	70	15	85	85½	½	
June 22, 1914.....			85	86½	½	
Sept. 26, 1914.....	90	16.8	106.8	108.5	1 1½	

<sup>1</sup> Sold before the opening of the market; bought after the close. The market having declined allowed a higher profit than the average.

#### COUNTRY ELEVATOR FINANCING.

Unlike conditions in the northwestern grain sections, the Kansas country buyer is not financed by the commission men. In the northwestern grain sections, country elevators by agreeing to ship all or a large part of their grain to one commission firm can draw upon an open

account to finance their country purchasing. This is a risk that the commission and shipping companies operating in Kansas have not assumed. No advances are made to the country elevators by the shippers. Drafts with bill of lading attached only are honored by the grain merchants. For this reason the country elevators are free to make sales whenever and to whomever they deem best. Where the country elevator operates on a conservative basis, banks in most cases will loan funds sufficient to meet the needs of the manager in carrying on his business. Since no hedging is done, unless the country elevator manager sells his grain as fast as it is received from the farmer, the chances of loss are so great that local banks hesitate to finance country elevators. Money up to a reasonable amount on stored grain can easily be obtained. Several thousand dollars in clear assets, however, are required by the average country elevator upon which to do business, as all grain must be paid for upon receipt, and the difference between the loan value and the price paid for wheat which is in the elevator awaiting shipment will amount to about 30 cents per bushel or \$300 per car of 60,000 pounds capacity, taking the September, 1914, price as a basis. Several elevator managers who purchased wheat at \$1 and have the same now in the elevator have from 10 to 15 cents per bushel as an actual loss on this wheat to sustain unless the price returns to \$1 or better.

*Margins taken by country elevators at nine points in Kansas, as shown by purchases from farmers and bids "on track" for Sept. 28, 1914.*

Amount paid farmer by country elevator.	Amount paid country elevator by shipper.	Elevator margin.
Cents.	Cents.	Cents.
84	87	3
88	91	3
86	88½	2½
86	90	4
87	90	3
90	92	2
89	92	3
87	90	3
85	89	4

#### CONTRACTS.

Considerable contracting of wheat by the farmers before the same is harvested is done throughout Kansas. Some contracts are entered into during and after the harvesting season for future delivery to the buyer. A few local elevators make such contracts. One milling company which has a chain of 100 elevators scattered throughout the State entered into a great many of these contracts during June and July of this year. As these contracts were made around a basis of 65 cents per bushel, considerable difficulty is being had in securing their fulfillment on the part of the farmers. As a result this line company will lose a great many thousand dollars this year from this breach of contract.

Competition at country points is so keen that it is very seldom that suit will be filed against the farmer for failing to deliver his wheat

as agreed, the country elevators deeming the farmer's business of such importance that they do not care to lose it. In some cases, however, suits are being filed.

A few cases were found where elevator managers during the early part of September, believing that wheat would continue to advance, contracted for wheat around \$1 a bushel. Now that the price is below \$1 all these contracts are being fulfilled on the part of the farmers and as far as known the elevators are living up to their agreement and are accepting the wheat, although at a great loss.

#### THE KANSAS CITY BOARD OF TRADE.

Since Kansas City, Mo., is the principal primary market for Kansas wheat, its organization and methods play an important part in the marketing situation. The board of trade is limited to 200 members, and the value of a membership is about \$3,000. It has an adequate trading floor with the usual "pit," and proper facilities for telegraphic service and the posting of quotations. Samples of cash wheat are displayed in wooden trays on tables provided for the purpose. The volume of future trading has been increasing during recent years, and although the members do much of their hedging in Chicago (especially on export business) there is a fairly active and continuous trading. The rules governing disciplining of members, arbitration, etc., are similar to those in other produce exchanges. Wheat is the most important grain handled, although corn is also handled in large quantities. The receipts for the various kinds of grain in 1913 were as follows:<sup>1</sup>

	Bushels.
Wheat.....	33,870,000
Corn.....	91,928,750
Kafir corn.....	1,793,000
Oats.....	10,174,500
Rye.....	458,700
Barley.....	364,000
 Total.....	 138,588,950

The most important classes of traders operating on the Kansas City Board of Trade are:

1. Cash commission men, "to arrive" and "track" buyers.
2. Exporters.
3. Terminal elevators.
4. Flour mills.
5. Future brokers.
6. Shippers.

The first class includes those firms that are buying wheat in the country for shipment to Kansas City, or "delivered" at the Gulf. The methods by which these men buy have been described in the discussion of marketing at country points. There are some firms which specialize on the straight-consignment business; others who buy on a "to arrive" basis at the Gulf. Closely allied to the commission men are the future brokers who execute orders to buy and sell futures. Many houses do both a cash grain business and a future brokerage business. Terminal elevator companies constitute the most important class of wheat buyers on the floor of the exchange.

The terminal elevators are operated largely by the large exporting companies, so that the two businesses are closely allied. Local flour mills keep buyers on the floor to buy wheat. By "shippers" is meant those who specialize in the purchase of grain, either on the floor or in the country, for shipment to other markets.

An interesting feature of the Kansas City Board of Trade is the rule governing "to-arrive" bids. On the Chicago Board of Trade the bids that could be sent out to the country points after the close of the market were determined by a "call" at the time the market closed. At one time Kansas City used a similar method, but since the litigation in Chicago on this matter, the Kansas City board has changed its method, following closely the method now used in Chicago. As it is now, "to-arrive" bids for shipment to Kansas City are made during trading hours and posted on the bulletin board, and it is provided that all bids "shall carry, in addition to all other charges described by the rule of this association, a charge of one-half cent per bushel on all grain."<sup>1</sup> Members are not forced to make their bids to the country after trading hours in accordance with the final bids posted on the trading floor, but may make whatever bids they desire, provided they send a sealed bid to the secretary of the board, and give notification to at least seven other firms that they are in the market for grain at the price they are sending out to country points. Although this rule appears to be working satisfactorily, it has been in force for such a short time that it is impossible to pass judgment on it at present.

The terminal elevator situation is important. Although the annual statistical report of the board of trade for 1913 shows 37 elevators, with a combined capacity of 14,240,000 bushels, many of the houses are small private houses and many of the large elevators have had important additions since the 1913 figures were compiled. At present 11 large elevators have a capacity of approximately 14,550,000 bushels. These are all owned by railroads that enter Kansas City, and formerly they were operated by the railroads (or their subsidiary companies) at very low storage rates. Complaints on the part of other large markets on the ground that the manner in which the elevators were operated gave Kansas City a preferential advantage caused an investigation by the Interstate Commerce Commission. As a result, the railroads gave up the operation of the elevators (except in two cases) and they were leased to private grain companies at an annual rental of 5 per cent on an appraised valuation. This arrangement was sanctioned by the Interstate Commerce Commission. A number of the grain firms which did not secure elevators were skeptical about this arrangement, but acquiesced with the belief that one of the largest houses (2,500,000 bushels) and two of the smaller ones were to continue in operation by the railroads owning them, thus insuring ample storage space for their business without being dependent on their competitors, who had leased the other houses. Shortly afterward, however, this large elevator was also leased to a grain company, and there are left only two small houses that are operated by the railroads. The manager of one of these, however, is also a grain dealer. The following statement indicates the present situation, showing the name of each elevator, its capacity, the name of the railroad owning, and the name of the company leasing.

<sup>1</sup> Rule adopted by Kansas City Board of Trade, Sept. 22 1914.

*Terminal elevators of Kansas City.*

Name of elevator.	Capacity (bushels).	Name of railroad owning.	Name of operator.
A.....	2,500,000	Santa Fe.....	Neola Elevator Co.
Frisco.....	600,000	Frisco.....	John S. Glover.
Kansas-Missouri.....	2,500,000	Missouri Pacific.....	Pacific Elevator Co.
Chicago Great Western.....	1,150,000	Great Western.....	Lonsdale Grain Co.
Memphis.....	450,000	Frisco.....	Brodnax & McLiney.
Milwaukee.....	2,000,000	St. Paul.....	Simonds-Shields Grain Co.
Murray.....	1,500,000	Burlington.....	Aylsworth-Neal-Tomlin Grain Co.
B.....	400,000	Santa Fe.....	Neola Elevator Co.
Terminal.....	2,500,000	Rock Island.....	Terminal Elevator Co.
Kansas City Southern.....	600,000	Kansas City Southern.....	Kansas City Southern Elevator Co.
Wabash.....	350,000	Wabash.....	Missouri Grain Co.
	14,550,000		

The last two named in the list are the only ones operated by the railroad companies, leaving elevators of 13,600,000 bushels capacity in the hands of eight grain companies. The Frisco and Memphis are comparatively small houses, and if the capacity of these is deducted from above, it will be found that seven elevators with a combined capacity of 12,550,000 bushels, or over 86 per cent of the total available capacity, are in the hands of six firms. The Neola Elevator Co. is a subsidiary of the Armour Grain Co. of Chicago; and the Terminal Elevator Co., of the Rosenbaum Co. of Chicago. Together, these two companies control 5,400,000 bushels of the elevator capacity of Kansas City.

The control of the elevator situation by a few powerful companies is not an unusual one in the large wheat markets of the United States, and it is a question whether it is the ideal condition for the grain trade at large. In Kansas City it undoubtedly gives the operators of the terminals an advantage over the small dealer, but it may be agreed that they are entitled to an advantage because of the expense, risk, and skill involved in operating a large elevator. On the other hand, this situation tends to render the more powerful companies still more powerful as compared with the smaller competitors, to concentrate the grain business into fewer hands, and to thus narrow the market by reducing the number of active buyers. The representatives of a number of firms which formerly were actively engaged in buying grain in the country for shipment to Kansas City claimed that they have had to largely discontinue this business, and to specialize more on a straight consignment business, owing to the change in the elevator situation.

## INSPECTION AND GRADING.

Although the State of Kansas has laws governing the inspection and grading of grain, and maintains an inspection department for performing this service, very little of the grain originating in Kansas is sold on Kansas inspection. This is because there is no important primary market in the State. The bulk of the wheat is graded either at Kansas City, Mo., or, during years when the export movement is heavy, at Gulf ports. At Galveston inspection is performed by the Galveston Cotton Exchange, and at New Orleans by the New Orleans Board of Trade. The charge at each point is 50 cents a car.

For grain arriving in Kansas City, Mo., the State of Missouri has an inspection department which performs this service. This depart-

ment has no jurisdiction over cars arriving in yards on the Kansas side where formerly the Kansas inspection department attended to the grading. The State of Kansas sought to make inspection in Kansas City, Kans., compulsory, but owing to dissatisfaction with Kansas grades, both on the part of Kansas shippers and terminal grain dealers, the Board of Trade of Kansas City, Mo., fought the legality of the compulsory inspection in Kansas, resulting in a decision of the Kansas Supreme Court to the effect that such inspection should not be compulsory.<sup>1</sup> The Board of Trade of Kansas City, Mo., then established a sampling and inspection department to take samples from cars arriving on the Kansas side, for inspection and grading on the Missouri side.

At present there are therefore two separate inspection departments grading grain that arrives at Kansas City, the Missouri State department and that of the board of trade. The fee in both cases is 50 cents a car. Usually there is no duplication in the service, but when cars have been sampled by the board of trade on the Kansas side and these cars then pass to the Missouri side for unloading at public elevators, there are two inspections with a double fee. Fortunately the Missouri and board of trade departments work in complete harmony, and where double inspection occurs there is seldom any difference in the grades except in some cases where cars are heavily loaded, rendering the obtaining of satisfactory samples difficult. Missouri still has "car-door inspection," whereas the board of trade has the more modern system of "office inspection."

Although the Kansas State inspection department plays no part in grading at Kansas City or at Gulf ports, there is a certain amount graded at interior Kansas points, some of which finds its way to outside markets where destination inspections govern. The following statement gives a number of specific carloads of wheat that were inspected both at Wichita, Kans., and Galveston, Tex.:

*Variation of grading by Kansas State at Wichita, and Galveston Cotton Exchange at Galveston, as shown by 21 cars shipped from Wichita to Galveston.*

Car No.	Shipping station in Kansas.	Galveston grade.	Kansas State grade.
25228 A. T.....	Pretty Prairie.....	3 hard, 58 test.....	2 hard, 59 test.
16765 A. T.....	Clency.....	3 hard, 57 test.....	3 hard, 58 test.
10081 U. P. R.....	Forg.....	2 hard, 59 test.....	2 hard, 59 test.
36984 R. I.....	Mullenworth.....	do.....	3 hard, 58 test.
31803 R. I.....	Preston.....	2 hard, 60 test.....	2 hard, 59 test.
41520 R. I.....	Mullenworth.....	2 hard, 59 test.....	3 hard, 58 test.
31414 R. I.....	Bucklin.....	3 hard, 58 test.....	Do.
55099 R. I.....	Jerka.....	3 hard, 56 test.....	3 hard, 56 test.
580349 P.....	Pratt.....	3 hard, 57 test.....	2 hard, 59 test.
85497 R. I.....	Partridge.....	3 hard, 59 test.....	Do.
54552 R. I.....	Gerlinger.....	2 hard, 59 test.....	3 hard, 58 test.
41178 R. I.....	Ford.....	3 hard, 59 test.....	3 hard, 58 test.
53094 R. I.....	do.....	2 hard, 59 test.....	3 hard, 58 test.
50951 R. I.....	Preston.....	3 hard, 58 test.....	2 hard, 59 test.
85401 R. I.....	Tinker.....	2 hard, 60 test.....	2 hard, 59 test.
103221 A. T.....	Garford.....	3 hard, 57 test.....	Do.
26427 A. T.....	Belmont.....	2 hard, 60 test.....	4 hard, 55 test.
18728 A. T.....	Pratt.....	4 hard, 58 test.....	2 hard, 59 $\frac{1}{2}$ test.
22777 A. T.....	do.....	3 hard, 58 test.....	4 hard, 57 test.
26718 A. T.....	do.....	2 hard, 59 test.....	3 hard, 57 test.
44545 A. T.....	do.....	3 hard, 59 test.....	3 hard, 59 test.

**NOTE.**—It is apparent that the whole situation with regard to inspection and grading is of vital interest in connection with the problem of Federal inspection or supervision. There is a decided sentiment both in Kansas and Kansas City, Mo., in favor of Federal inspection.

<sup>1</sup> Opinion No. 17598. *The State of Kansas v. Atchison, Topeka & Santa Fe Railroad.*

## KANSAS CITY WEIGHTS.

The weighing of carloads of wheat as they enter Kansas City is primarily in the hands of the weighing department of the Kansas City Board of Trade. There is also a Missouri State weighing department which weighs grain entering five large elevators, which are public elevators under Missouri law. The Missouri State fee is 40 cents into and 35 cents out of an elevator. The board of trade charge is 50 cents into and 15 cents out for the important elevators. On grain entering these elevators there is a double charge, each department levying its fee. The supervision of weights is practically in the hands of the board of trade weighing department, which has ample facilities for the testing of scales and power to enforce owners to keep their elevators in proper condition. There are 51 employees in this department, and a sufficient number of men are stationed at each elevator to properly take care of the weighing. There are 130 hopper scales and 22 track scales under the supervision of the department.

The following statement shows the Missouri State inspection and weighing fees:

	Cents.
Inspection fee, per car, in railroad yards.....	50
Sample furnished, per car.....	15
Moisture test, including sample, per car.....	25
"In" inspection at elevator, if not inspected in Missouri yards, per car.....	50
"Out" inspection at elevator, per car.....	50
"In" weighing, per car.....	40
"Out" weighing, per car.....	25
"Transfers," not inspected in Missouri yards, per car.....	50
"In" weighing fee only on "transfers," per car.....	50
Moisture tests on "transfers" "in" and "out," on charge.....	25
Moisture test on "out" cars, per car.....	25

Fees charged by the board of trade weighing department on grain unloaded and loaded in carload lots are as follows:

	In.	Out.		In.	Out.
Empire.....	\$.50	\$.25	Acme Elevator.....	\$.50	\$.25
Kelley Mills.....	.50	.25	Kornfalfa.....	1.00	.25
Zenith.....	.50	.25	Bulte Mill.....	.50	.25
Dixie Mill.....	.50	.25	Kansas City Seed and Grain.....	1.00	.25
R. E. Kidder Mill.....	.50	.25	Weston's Warehouse.....	1.00	.25
Southern.....	.50	.25	Ransom's Warehouse.....	1.00	.25
Frisco.....	.50	.15	Milwaukee.....	.50	.15
Memphis.....	.50	.15	L. C. Worth Commission Co.....	1.00	.25
Atchison, Topeka & Santa Fe "B".....	.50	.15	Globe.....	.50	.25
Elevator "A".....	.50	.15	Murray.....	.50	.15
Rock Island.....	.50	.15	Terminal.....	.50	.15
Chicago Great Western.....	.50	.15	Wabash.....	.50	.25
Kansas-Missouri.....	.50	.15	Shilling's Warehouse.....	1.00	.25
Atlas Oats.....	.50	.25	Russell Elevator.....	1.00	.25
Kansas City Southern.....	.50	.15	Murphy, C. and F.....	2.00	.25
Wagoner-Gates.....	.50	.25	Kemper Mills.....	.50	.25
Southwestern Mill.....	.50	.25	Olive Street Elevator.....	1.00	.25
Rosedale.....	.50	.25	Ismert-Hincke Mill.....	.50	.25
Fowler, A. & B.....	1.00	.50	Solomon Valley Warehouse.....	1.00	.50

Weighing and counting out sacked commodities (even weight).....	\$.75
Counting out sacked commodities.....	.25
Weighing and counting in commodities.....	1.00
Weighing and counting in commodities (even weight).....	1.50
Weighing hay.....	1.00

Number of cars of each grade of wheat sold in Kansas City, Mo., during the 5-day periods ending on about July 3, Aug. 3, and Sept. 3, 1913 and 1914.

[Compiled from the Kansas City Price Current by the Bureau of Crop Estimates.]

Grade.	Total sales, 15 days.	
	1913	1914
No. 1 hard.....	4	1
No. 2 hard.....	637	827
No. 3 hard.....	135	1,180
No. 4 hard.....	62	307
Sample hard.....	17	33
No. 1 mixed.....	45	21
No. 2 mixed.....	16	30
No. 3 mixed.....	9	10
No. 4 mixed.....	1	6
Sample mixed.....		
No. 1 red.....	185	310
No. 2 red.....	48	119
No. 3 red.....	21	49
No. 4 red.....	29	23
Sample red.....		
No. 1 durum.....		2
No. 2 durum.....		
No. 3 durum.....		
No. 4 durum.....		
No. 2 white spring.....		2
No. 3 white spring.....	3	2
No. 4 white spring.....	5	1

Wholesale prices of wheat, in cents per bushel, at Kansas City, Mo.

[Compiled from the Kansas City Price Current. Each price in the table is an average of the actual sales of that grade, quotations for individual sales being "weighted" according to the quantities sold.]

Date.	No. 1 hard.	No. 2 hard.	No. 3 hard.	No. 4 hard.	Sample hard.	No. 1 mixed.	No. 2 mixed.	No. 3 mixed.	No. 4 mixed.	Sample mixed.
1913.										
June 20.....		87.6	86.0	83.6	84.0					
June 30.....		86.2	85.4	82.2	84.5		83.2	82.0		
July 1.....		85.1	84.1	82.2	80.0					
July 2.....		84.7	82.8		76.0		83.0	82.3	80.0	
July 3.....		85.3	83.0	82.4	80.0			82.5	81.5	
July 30.....		82.2	81.8	81.6			81.0	80.0	81.5	
July 31.....	81.5	82.4	82.4	82.0			81.0	80.0	81.5	
Aug. 1.....		82.8	82.1	81.6	83.0		82.2	81.2		
Aug. 2.....		84.1	84.2	82.8			83.0			
Aug. 5.....		82.7	82.4	81.1	78.5			82.5		
Aug. 29.....		83.4	84.2	82.9			84.5			
Aug. 30.....	82.5	83.8	84.3	83.0	80.2		82.5			
Sept. 2.....		84.1	84.0	83.0	80.2		83.3		82.2	79.0
Sept. 3.....		84.1	84.0	81.0	80.3		86.8	82.2	82.2	
Sept. 4.....		85.6	86.7	83.8	83.5		86.2	86.0		
1914.										
June 29.....		76.0	72.5	72.0	90.0		72.8			
June 30.....		75.5	82.0		66.5		72.2			
July 1.....	75.7						74.8			
July 2.....		77.9	75.2				74.0	73.5		
July 3.....		77.9	80.0				74.3	73.6		
July 30.....		87.7	86.6	84.8	81.2		88.0	86.7		78.0
July 31.....		81.2	78.4	77.0				77.5		
Aug. 1.....		78.9	75.7	73.3				74.0	70.0	
Aug. 3.....		75.8	72.8	69.8			75.0	71.0		
Aug. 5.....		79.4	76.4	73.5	71.5			76.0	73.8	70.0
Aug. 29.....		102.6	100.5	97.3	95.6		101.5	94.0	96.5	96.0
Aug. 31.....	105.0	106.2	104.1	101.4	98.0		105.0	102.8	101.0	96.0
Sept. 1.....		105.0	103.3	101.5	94.5		105.0	103.0	101.5	100.0
Sept. 2.....		105.5	104.0	101.7	99.8			105.5	101.0	100.0
Sept. 3.....		108.2	106.9	104.0	101.8		107.5	108.2		

Wholesale prices of wheat, in cents per bushel, at Kansas City, Mo.—Continued.

Date.	No. 1 red.	No. 2 red.	No. 3 red.	No. 4 red.	Sample red.	No. 1 durum.	No. 2 durum.	No. 3 durum.	No. 2 white spring.	No. 3 white spring.	No. 4 white spring.
1913.											
June 20		85.1	84.0	80.0	81.8						
June 30		83.6	81.3		81.5						
July 1		83.5	80.5		80.0						
July 2		82.9	81.3	78.3	81.4						
July 3		83.5	81.9		81.3						
July 30		81.5	80.2	79.5	78.1						78.0
July 31		81.7	80.6	80.1	78.0						
Aug. 1				78.2							
Aug. 2		83.9	81.5		79.0						78.0
Aug. 5		83.7	82.2	80.3	78.2						79.0
Aug. 29		87.1	85.5	82.0	78.5						81.0
Aug. 30		87.4		81.0							
Sept. 2		87.5		83.0	85.0						
Sept. 3		87.5		83.0	85.0						80.0
Sept. 4		89.5	88.0	84.0							81.0
											79.0
1914.											
June 29		72.5	71.9	71.2	70.5						
June 30		72.0	71.3	70.0		72.0					70.0
July 1		72.6	72.1	71.0							
July 2		73.9	73.0	72.5							
July 3											67.0
July 30		88.2	87.0	86.0	82.7						
July 31		81.5	80.5	79.5							
Aug. 1		79.8	77.8	73.0	69.2						
Aug. 3		74.9	73.0	69.2							
Aug. 5		77.7	76.3	73.4	67.7						
Aug. 29		103.8	102.4	99.0							
Aug. 31		107.0	105.7	103.5	98.0				104.0	100.0	
Sept. 1		106.8	104.5	102.0							
Sept. 2		106.2	104.9	103.0	100.0						
Sept. 3		109.0	106.5	106.6	107.0		104.0		105.0		

NOTE.—From these prices must be subtracted the freight rate, shippers' profit, and other incidental charges, and the margin taken out by the country elevator, to determine the price which is paid the farmer.

Account sales, shipment of 15,000 bushels of wheat purchased by shipper at Kansas City and sold delivered at Philadelphia, Sept. 25, 1914.

Grade.	Amount.	Price per bushel.	Cost of grain Kansas City.
No. 2 hard	3,333 bushels 20 pounds	\$1.00	\$3,333.33
No. 3 hard	3,050 bushels	.97	2,958.50
Do	3,366 bushels 40 pounds	.98	3,299.33
Do	2,950 bushels	.97 $\frac{1}{2}$	2,876.25
Do	2,300 bushels	.96 $\frac{1}{2}$	2,219.50

Total cost of grain at Kansas City..... \$14,686.91

Freight to Philadelphia on 15,000 bushels, at 15.6 cents..... 2,340.00

Office and overhead expense, estimated,  $\frac{1}{4}$  cent; mixing,  $\frac{1}{4}$  cent; exchange,  $\frac{1}{8}$  cent. Total miscellaneous expense,  $\frac{7}{10}$  cent per bushel..... 105.00

Total cost of grain to shipper delivered at Philadelphia..... 17,131.91  
15,000 bushels sold at 1.14 $\frac{1}{2}$  delivered Philadelphia..... 17,175.00

Net profit..... <sup>1</sup> 43.09

#### HOW THE EXPORT BUSINESS IS HANDLED.

The export business in Kansas wheat is handled principally by Kansas City and Chicago houses, although a large quantity is also handled by eastern (principally New York) houses. In general there

<sup>1</sup> Small net profit due to rise in market before grain to fill order had been purchased.

are three classes of dealers who are engaged in the movement of wheat from Kansas stations to foreign ports. The first includes those who carry it only to the Gulf (Galveston, Port Arthur, or New Orleans). The second includes those who take it at the Gulf and sell it delivered in foreign countries. This class is represented principally by New York exporters. The third consists of those who buy wheat in the country for delivery at the Gulf or on the Kansas City Board of Trade, and sell it on terms which call for delivery at foreign ports. This third class also buys some wheat "delivered" at the Gulf or f. o. b. vessel.

There are many small firms that buy wheat in the country for delivery at Gulf ports. These are located not only in Kansas City but also at such points as Wichita and Hutchinson. "Delivered at the Gulf" means merely "on track" at a Gulf port, and the charges up to this point consist of the freight rate from the country station and weighing and inspection fees on arrival at the Gulf. To load wheat from the car into the hold of a vessel, it must be taken into an elevator and often stored until loading time. There is then a loading charge of three-fourths of a cent and other incidental expenses, amounting to a total of from 1 to  $1\frac{1}{2}$  cents. To undertake these last-named operations is termed "fobbing," which means placing the wheat f. o. b. vessel. Most of the smaller houses who buy from the country "delivered Gulf" sell their grain "on track" to the larger exporters and do no "fobbing," while some undertake this function and sell to the larger firms f. o. b. steamer.

During the "fobbing" operation grain is mixed in the Gulf elevators and the smaller firms often employ a forwarding agent at the Gulf port to attend to this matter, while the larger houses maintain men at the Gulf ports to look after this mixing.

The large houses which buy direct from country points and carry the grain through to foreign ports necessarily do their own "fobbing," which they must take into consideration in the price they charge the foreign buyer.

Practically all grain sold to foreign importers is sold on a basis of delivery at foreign port. That is, an exporting house must charge the Liverpool buyer a high enough price to allow him to pay the ocean freight, insurance, and other incidental charges, and have something left for profit. When an exporter sells in this way, he is said to sell "c. i. f.," i. e., cost, insurance, and freight included. When a shipper sells to an exporter either "delivered" or f. o. b., he usually has to pay a brokerage of one-eighth of a cent to a broker who has consummated the sale for him.

It occasionally happens that a Kansas City house places such a sale through a New York broker only to find that he has sold it to another Kansas City house, which is selling the grain "c. i. f."

There are great risks incurred by those houses that sell c. i. f. In the first place, a Kansas City house, for example, has a certain amount of grain at the Gulf which it wishes to sell to a Liverpool importer. This grain is necessarily hedged in the future market. An offer is cabled the Liverpool house. The Liverpool market is in operation while it is night in Kansas City. The next morning the Liverpool house wires an acceptance. The Kansas City house must buy in its hedge. If the market is "off" at the opening, the Kansas City house may make more than it anticipated. But the Liverpool house knows more about world market conditions than the American exporter

during the night, and is in a better position to know what effect the "cables" will have on the opening of the American market. The Kansas City house must allow for this possible fluctuation in the future market when he makes his offer.

Another risk connected with the export business is the fluctuation of ocean freight rates as well as the difficulty of always having enough ocean space contracted for or being able to use all that is contracted for. Ocean freights are not so stable as railroad rates. If there is a dearth of vessels at a given port, the rate goes up; if there are a number of vessels that can't get full cargoes, the rate is cut.

A third risk is in the fluctuation of the price of foreign exchange. The exporter sells in terms of English money delivered at Liverpool. If the price of foreign exchange varies between the time of sale and the selling of the bill of exchange, the exporter has either an unforeseen loss or gain.

In spite of these risks and the fact that the export business requires the tying up of a large amount of capital, the business is done on astonishingly small margins. The gross margin allowed by the exporter in making his bids usually runs from  $2\frac{1}{2}$  to 3 cents. Out of this must be paid the overhead expenses of the firm, such as office expenses, cablegrams, interest, etc., amounting in all to about 1 cent a bushel, and leaving a net profit of from  $1\frac{1}{2}$  to 2 cents a bushel. Sometimes this net profit is attained; sometimes it is greater; sometimes it is smaller. The following statement shows in detail eight actual transactions of a large exporting house during July, 1914, before the European war began. In each case the wheat was bought "delivered" at Gulf, and sold "delivered" Liverpool, and the expenses were the f. o. b. charges at Gulf port, ocean freight, and insurance and incidental charges. The f. o. b. charge of 1 cent is figured low, and most exporters consider it to be from  $1\frac{1}{4}$  to  $1\frac{1}{2}$  cents. It is impossible to figure it exactly, because it involves some interest charges. The insurance and incidental charges are also figured lower than most houses, and include only marine insurance, whereas all shipments to the Continent and some to the United Kingdom carry an additional "insurance on outturn," meaning an insurance which guarantees or protects the delivery of the full amount that the American exporter contracts to deliver at the wharf in the foreign port.

*Detailed statement of eight specific transactions of wheat bought "delivered Gulf" and sold "delivered Liverpool."*

Date of sale.	Grade of wheat.	Month of shipment.	Bushels.	Price delivered Liverpool.	Price delivered Galveston.	Total margin.	Costs.				Gross profit, porter. <sup>1</sup>	Approximate overhead expense.	Approximate net profit to exporter.
							Ocean freight.	Insurance, etc.	F. o. b. charges.	Total.			
1914.													
1.. July 9...	No. 2 hard.	July...	40,000	Cents. 92.75	Cents. 83.00	Cents. 9.75	Cts. 6.0	Cts. 0.5	Cts. 1.00	Cts. 7.5	Cts. $1\frac{21}{4}$	Cts. 1.00	Cts. $1\frac{1}{4}$
2.. July 11...	do	do	40,000	92.60	81.75	10.95	6.0	0.5	1.00	7.5	3 $\frac{1}{2}$	1.00	2 $\frac{1}{8}$
3.. July 13...	do	do	40,000	91.60	.80 $\frac{7}{8}$	10.75	6.0	0.5	1.00	7.5	3 $\frac{1}{2}$	1.00	2 $\frac{1}{4}$
4.. July 14...	do	do	40,000	90.85	.80 $\frac{7}{8}$	10.00	6.0	0.5	1.00	7.5	2 $\frac{1}{2}$	1.00	1 $\frac{1}{2}$
5.. July 21...	do	Sept.	24,000	94.65	.84 $\frac{5}{8}$	10.00	7.5	0.5	1.00	9.0	1 $\frac{1}{2}$	1.00	0
6.. do	do	Oct.	24,000	95.10	.84 $\frac{5}{8}$	10.50	7.5	0.5	1.00	9.0	2.65	1.00	1.65
7.. July 15...	do	July...	40,000	91.65	81.50	10.15	6.0	0.5	1.00	7.5	1.20	1.00	0.20
8.. July 25...	do	Oct...	24,000	98.70	88.50	10.20	7.5	0.5	1.00	9.0			

<sup>1</sup> Subtracting total costs from total margin.

The following statement gives in detail an actual transaction of another exporting house in which 8,000 bushels of wheat were bought "on track," or "delivered" New Orleans, and sold to an importer in Rotterdam on July 7, 1914:

	Cents per bushel.
Selling price, delivered Rotterdam, at .....	96 $\frac{1}{4}$
Price paid "on track" New Orleans .....	84
 Gross difference .....	 12 $\frac{1}{4}$
 Items of cost:	
F. o. b. expense .....	1 $\frac{3}{8}$
Brokerage for making sale .....	$\frac{1}{8}$
Marine insurance .....	$\frac{3}{8}$
Insurance on outturn .....	$\frac{5}{8}$
Brokerage to Rotterdam broker ( $\frac{1}{2}$ per cent) .....	$\frac{1}{2}$
Ocean freight .....	8
 Total costs .....	 11
 Gross profit to exporter .....	 1 $\frac{1}{4}$

Out of this gross margin the exporter must pay his office and other overhead expenses. In this case it will be noticed that two brokerages were paid, one to a New York broker for making the sale and one to a Rotterdam broker for attending to the transaction at that port. There is also an insurance charge on outturn, which, as explained above, insures the delivery of the full 8,000 bushels.

The following statement shows a transaction in which a dealer bought 16,000 bushels of grain delivered Galveston, and sold f. o. b. vessel on the same day (July 9, 1914) to another exporter who sold the grain c. i. f. foreign port:

	Cents. per bushel.
Price sold to exporter, f. o. b. vessel .....	85 $\frac{1}{4}$
Price paid "delivered" Galveston .....	83 $\frac{1}{2}$
 Gross difference .....	 2 $\frac{1}{4}$
 F. o. b. expenses:	
Loading .....	$\frac{3}{4}$
Inspecting and weighing .....	$\frac{1}{4}$
Brokerage .....	$\frac{1}{4}$
 Total expenses .....	 1 $\frac{1}{4}$
 Gross profit .....	 1

It will be seen from the foregoing cases that the profits per bushel on the export business are extremely small—as small, in fact, as those of domestic shippers, although the latter do not perform as much service or run as great risks as the former. But export wheat is handled in large lots, and the profit on an individual transaction may be a large one. A half-cent clear profit on a sale of 40,000 bushels means a total net profit of \$200 on the transaction. But a fluctuation in a single one of the elements of risk enumerated above, which has an effect of as little as one-half a cent a bushel, either wipes out the profit entirely or yields a profit of \$400 instead of \$200.

It is a question whether another business involving equivalent risks and capital investment can be found where the difference between profit and loss hangs on such slight fluctuations in the prices of the various factors involved.

*Summarized statement showing the spread between the price received by a farmer in southern Kansas on Sept. 28, 1914, and the price received by an exporter for wheat to be delivered at Liverpool, together with the various elements of marketing costs.*

	Cents per bushel.
Price received by farmer in Kansas.....	87.0
Margin taken by country elevator.....	3.0
	—————
Price paid country elevator by shipper.....	90.0
Freight rate point in Kansas to Galveston.....	15.0
Inspection and weighing at Galveston.....	.25
Gross profit of shipper.....	1.25
	—————
Price paid by exporter at Galveston.....	106.50
Cost of elevation, loading into boat, etc.....	1.25
Freight, Galveston to Liverpool.....	6.0
Insurance, etc., in transit.....	.75
Overhead expenses of exporter.....	1.0
Net profit of exporter.....	1.25
	—————
Price delivered at Liverpool.....	116.75

*Summarized statement of approximate spread between Kansas farm price and price delivered at Philadelphia on Kansas City terms, Sept. 30, 1914.*

	Cents per bushel.
Price received by farmer in Kansas.....	87.0
Margin taken by country elevator.....	3.0
Freight rate to Kansas City.....	6.2
Inspection, weighing, and interest on draft.....	.25
Commission.....	1.0
	—————
Price paid by shipper in Kansas City.....	97.45
Freight rate, Kansas City to Philadelphia.....	15.6
Mixing in Kansas City elevator.....	.25
Exchange.....	.20
Overhead expense of shipper.....	.375
Net profit of shipper.....	.625
	—————
Price delivered in Philadelphia.....	114.500

#### SUMMARY.

1. The State of Kansas is fortunately situated for marketing its wheat in that it has a great number of domestic outlets and the foreign market via Gulf ports. This situation leads to vigorous competition between grain dealers of the various terminal markets for Kansas wheat.

2. The prices of wheat paid to farmers in Kansas are based largely upon the prices in Kansas City, Mo., and at the Gulf ports for export. From these basic prices must be subtracted the freight rate, shipper's profit, and other incidental charges and the margin taken out by the country elevator to determine the price which is paid to the farmer. Since the margins of profit taken by the grain dealers in the larger markets are very small (averaging

	<p><u>\$1.16-3/4 price in Liverpool.</u></p> <p>1.15 gross profit of exporter. .75 insurance, etc.</p> <p>6.00 freight, Galveston to Liverpool.</p> <p>1.25 f.o.b. costs. 1.25 profit of shipper. 1.05 inspection, etc., Galveston.</p> <p>15.00 freight, Kansas point to Galveston.</p> <p>3.00 country elevator gross profit.</p>
	67.00 received by Kansas farmer.

FIG. 2.—Diagram showing the relation between the price received by the farmer in Kansas and the price paid the exporter for a bushel of wheat to be delivered in Liverpool, with the various costs per bushel of marketing from the time the grain is delivered to the country elevator by the farmer until it reaches Liverpool.

about 1 cent a bushel), it appears that the farmers of Kansas, as a general rule, are obtaining all their wheat is worth.

3. The weakest link in the chain of marketing Kansas wheat is the country elevator. Compared with the value and difficulty of service rendered, the margin taken by the country elevator is perhaps larger than that taken by any other middleman in the marketing of wheat. One special weakness is in the failure to use the future market to hedge holdings. Elevators frequently become congested with unhedged stored grain. The elevators, as a general rule, are operated inefficiently, with inadequate accounting systems and lack a sufficient working capital.

4. In conspicuous contrast with the country elevator situation is the great efficiency and highly organized method of operation of the terminal grain operators and the exporters. In the case of the export trade especially the profits per bushel are extremely low considering the service rendered and the capital and risk involved.

5. No evidence was discovered of collusion between large interests to restrain competition or to depress prices in Kansas City. In Kansas City 86 per cent of the terminal-elevator capacity is controlled by six firms, but these firms appear to be in competition with each other.

6. The cost of transportation is by far the largest element in the cost of marketing wheat. Of the total difference between the farm price and the Kansas City price, freight accounts for approximately 65 per cent. Of the spread between the farm price and the Liverpool price, railroad and ocean freights account for approximately 70 per cent.









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